

**DEPARTMENT OF MENTAL HEALTH,
RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY
MENTAL HEALTH CENTER, INC.
REPORT ON CONTRACT COMPLIANCE
FISCAL YEARS ENDED JUNE 30, 1997 AND 1996**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, R.I. 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, R.I. 02908-5889
TEL #: (401) 222-2768
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Northern Rhode Island Community Mental Health Center, Inc.

AGENCY FUNDS

For the Fiscal Years Ended June 30, 1997 and 1996

EXECUTIVE SUMMARY

Management successfully implemented our recommendations included in our examination of the 1995 contract.

We had no significant findings to report for the fiscal years ended June 30, 1997 and 1996 and, as such, contain no recommendations.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1997 AND 1996

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November 29, 1999

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall
600 New London Avenue
Cranston, R.I. 02920

Dear Ms. Power:

We have completed an examination of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and Northern Rhode Island Community Mental Health Center, Inc., for the fiscal years ended June 30, 1997 and 1996.

The results of our engagement included herein have been discussed with management and we have considered their comments in the preparation of our report. Since this report discloses no significant findings and recommendations no written response is necessary which would have otherwise been required by Section 35-7-4 of the General Laws had there been findings and recommendations.

We wish to express our appreciation to the officials of MHRH and the Director and staff members of the Center for their assistance, cooperation and courtesies extended to us during the course of this examination.

Sincerely,

Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1997 and 1996

SCOPE AND PURPOSE

The purpose of this examination was to determine compliance with your department's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant Contracts and with the terms and conditions contained within the Community Support, Residential and Acute Alternative Services Contracts as to:

- whether revenues and expenses were matchable or nonmatchable;
- total matchable income used as the basis for funding fiscal years 1999 and 1998;
- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our examination of the financial records included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contract specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1997 AND 1996

BACKGROUND

Section 40.1-8.5-6 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health, Retardation and Hospitals (MHRH) to make grants to community mental health boards to provide mentally disabled children and adult services which shall include but not be limited to psychiatric, medical, nursing, psychological, social, rehabilitative and support services provided in the prevention, diagnosis, treatment and follow-up of mental disabilities, and in addition, may include those services designed to prevent mental disabilities or be of a consultative, informational or educational nature about mental disabilities. It is under this authorization that Northern Rhode Island Community Mental Health Center, Inc., operates.

It is the intent of the law that an individual's eligibility to receive any public or private assistance be exhausted prior to the expenditure of state and local monies.

The Center's administrative offices are located at 515 Social Street, Woonsocket, Rhode Island.

The Center is governed by a board of directors consisting of not more than 21 nor less than 15 individuals elected annually.



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Department of Administration
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October 15, 1999

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and Northern Rhode Island Community Mental Health Center, Inc. (Center), solely to assist the users in evaluating management's assertion about the Center's compliance with the Division of Integrated Mental Health's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the matching Grant contracts and with the financial terms and conditions contained within the Community Support Residential and Acute Alternatives Services contracts during the fiscal years ended June 30, 1997 and 1996, included in the accompanying Report on Contract Compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

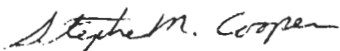
For purposes of this engagement we tested compliance with the above mentioned specified requirements for determining matchable revenues, allowable costs, accuracy of reported activities and any excess funding on behalf of MHRH. Based on the application of the procedures referred to above, we became aware of no excess funding by MHRH for the fiscal years ended June 30, 1997 and 1996, nor other matters of noncompliance with provisions contained in the financial terms and conditions to the contracts stated above.

Ms. A. Kathryn Power, Director
Page 2
October 15, 1999

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF REVENUES AND EXPENSES
FISCAL YEAR ENDED JUNE 30, 1997

	Community Support, Residential, and Acute Alternatives	Adult Outpatient Program	Other Programs	Title XIX Medicaid	Total
REVENUES					
MHRH	\$ 1,414,079	98,020	-	-	1,512,099
DCYF	-	-	387,731	-	387,731
Other Sources	11,780	-	118,352	-	130,132
Title XIX Medicaid	-	-	-	4,387,648	4,387,648
Municipalities	-	-	592,229	-	592,229
Thired Party Reimbursements	340,593	134,625	238,851	-	714,069
Rent	67,821	-	-	-	67,821
Program Fees	56,667	22,248	3,140	-	82,055
Contributions	-	61,128	-	-	61,128
Interest	2,566	-	-	-	2,566
Total Revenues	\$ 1,893,506	316,021	1,340,303	4,387,648	7,937,478
EXPENSES					
Personnel	3,822,336	335,416	1,446,912	-	5,604,664
Operating	1,431,075	107,190	422,613	-	1,960,878
Purchased Equipment	101,496	2,417	16,915	-	120,828
Total Expenses	\$ 5,354,907	445,023	1,886,440	0	7,686,370
Other Financing Sources (uses)					
Interfund Transfer-Title XIX-Medicaid	3,510,193	111,310	766,145	(4,387,648)	
Excess (Deficiency) of Revenues Over Expenses	\$ 48,792	(17,692)	220,008	0	251,108

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF REVENUES AND EXPENSES
FISCAL YEAR ENDED JUNE 30, 1996

	Community Support, Residential, and <u>Acute Alternatives</u>	Adult Outpatient <u>Program</u>	Other Programs	Title XIX <u>Medicaid</u>	<u>Total</u>
<u>Revenues</u>					
MHRH	\$ 1,099,213	90,615	-	-	1,189,828
DCYF	-	-	191,842	-	191,842
Other Funding Sources	-	-	106,716	-	106,716
Title XIX Medicaid	-	-	-	3,721,134	3,721,134
Municipalities	-	-	594,124	-	594,124
Program Revenue	307,260	61,134	31,369	-	399,763
Contributions	-	54,904	-	-	54,904
Third Party Fees	85,797	54,914	204,838	-	345,549
Rent	76,004	-	-	-	76,004
Interest	718	-	2,311	-	3,029
Total Revenues	\$ 1,568,992	261,567	1,131,200	3,721,134	6,682,893
<u>Expenses</u>					
Personnel	3,633,072	166,793	1,405,356	-	5,205,221
Operating	1,293,066	52,975	391,550	-	1,737,591
Purchased Equipment	266,304	6,417	48,127	-	320,848
Total Expenses	\$ 5,192,442	226,185	1,845,033	0	7,263,660
<u>Other Financing Sources (Uses)</u>					
Interfund Transfer-Title XIX Medicaid	3,006,822	69,065	645,247	(3,721,134)	0
Riverwood Rehab. Services	342,691	-	-	-	342,691
N.E. Fellowship	170,299	-	-	-	170,299
Total Other Financing Sources-Uses	\$ 3,519,812	69,065	645,247	(3,721,134)	512,990
Excess (Deficiency) of Revenues over Expenses	\$ (103,638)	104,447	(68,586)	0	(67,777)

See accompanying notes to financial information.

EXHIBIT C

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF OPERATIONS - TITLE XIX PROGRAM
FISCAL YEARS ENDED JUNE 30, 1997 AND 1996

	Fiscal Year Ended June 30	
	<u>1997</u>	<u>1996</u>
<u>Beginning Balance</u>	\$ 0	0
Revenues Received Designated for Programs	<u>4,387,648</u>	<u>3,721,134</u>
<u>Revenues Applied:</u>		
Community Support and Related Services	3,510,193	3,006,822
Adult Outpatient Program	111,310	69,065
Other Programs	<u>766,145</u>	<u>645,247</u>
Total Applied	<u>4,387,648</u>	<u>3,721,134</u>
<u>Ending Balance</u>	\$ <u>0</u>	<u>0</u>

See accompanying notes to financial information.

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DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
 STATE MATCHING PROGRAM
 DETERMINATION OF OVER (UNDER) PAYMENT OF STATE MATCHING FUNDS
 FISCAL YEARS ENDED JUNE 30, 1997 AND 1996

		<u>FISCAL YEAR ENDED JUNE 30</u>	
		<u>1997</u>	<u>1996</u>
<u>State Funds Allocated:</u>			
Adult Outpatient Services	\$ 128,024		122,164
Community Support, Residential and Acute Alternatives	<u>128,024</u>	<u>256,048</u>	<u>130,564</u>
			<u>252,728</u>
 <u>Matchable Revenues-Fiscal Years</u>			
Ended June 30, 1995 and 1993		<u>117,913</u>	<u>130,564</u>
 <u>Determination of Over (Under)</u>			
<u>Payment of State Funds:</u>			
State Funds Allocated (Note 2)		256,048	252,728
 Deduct lesser of:			
(a) Applicable Percentage of Matchable Revenues	256,048		252,728
(b) State Funds Allocated	256,048		252,728
Maximum Support - Lesser of A or B (Note 3)		<u>256,048</u>	<u>252,728</u>
Over (Under) Payment of State Matching Funds		<u>0</u>	<u>0</u>

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1997 AND 1996

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Basis of Accounting:

The financial information is presented on the accrual basis of accounting which is in compliance with the Division of Integrated Mental Health Service's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Note 2 - State Funds Allocated - Exhibit D

These amounts represent the total of the matching grants encumbered by the Department of MHRH for the operation of Northern Rhode Island Community Mental Health Center, Inc.

Note 3 - Maximum Support - Exhibit D

State funds allocated are subject to the lessor of the following:

- A. 217.15% of the matchable revenue for the fiscal year ended June 30, 1995 and 193.566% of the matchable revenue for the fiscal year ended June 30, 1993. MHRH held the fiscal year ended June 30, 1996 awards constant at fiscal year ended June 30, 1995 levels.
- B. The maximum state funding as determined above cannot exceed the dollar amount originally allocated for the respective fiscal year.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
STATE MATCHING PROGRAM
SCHEDULE OF MATCHABLE AND NONMATCHABLE REVENUES
FISCAL YEARS ENDED JUNE 30, 1997 AND 1996

	<u>FISCAL YEAR ENDED JUNE 30</u>	
	<u>1997</u>	<u>1996</u>
<u>State of Rhode Island</u>		
Adult Outpatient Program	\$ 98,020	90,615
Community Support, Residential & Acute Alternatives	<u>1,296,166</u>	<u>968,649</u>
Total State Funds Allocated	1,394,186	1,059,264
<u>Matchable Revenues</u>		
Local Communities	592,229	594,124
Contributions	<u>41,190</u>	<u>43,144</u>
Total Matchable Revenues (For Fiscal Year Ended June 30, 1999 and 1998)	633,419	637,268
<u>Nonmatchable Revenues</u>		
Program Fees	78,915	368,394
Rent	67,821	76,004
Community Support, Residential, and Acute Alternatives	117,913	130,564
TITLE XIX Program	4,387,648	3,721,134
Third Party Fees	475,218	140,711
Fund Raising Expenses	19,938	11,760
Other programs	759,854	537,076
Interest	<u>2,566</u>	<u>718</u>
Total NonMatchable Revenues	<u>5,909,873</u>	<u>4,986,361</u>
Total Revenues (Exhibit A & B, Respectively)	\$ <u>7,937,478</u>	<u>6,682,893</u>

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1997 AND 1996

STATUS OF PRIOR AUDIT RECOMMENDATIONS - JUNE 30, 1995

Fixed Assets

1. MHRH officials should ensure that the provider implements a fixed asset ledger and that periodic inventories are conducted and reconciled to the fixed asset ledger.

Complied.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
NORTHERN RHODE ISLAND COMMUNITY MENTAL HEALTH CENTER, INC.
FISCAL YEARS ENDED JUNE 30, 1997 AND 1996

CURRENT YEARS FINDINGS AND RECOMMENDATIONS

Net Operations

Net operating results for the Center's programs for the fiscal years ended June 30, 1997 and 1996 are summarized below:

Revenues Excess (Deficiency) - Exhibits A and B

<u>Program</u>	<u>1997</u>	<u>1996</u>
Community Support, Residential, and Acute Alternatives	\$ 48,792	(103,638)
Adult Outpatient Program	(17,692)	104,447
Other Programs	<u>220,008</u>	<u>(68,586)</u>
Total Revenue (Deficiency)	\$ <u>251,108</u>	<u>(67,777)</u>

Community Support, Residential, and Acute Alternatives

The Community Support, Residential, and Acute Alternatives Program has excess revenue in the amount of \$48,792 for the fiscal year ended June 30, 1997. Addendum II of the performance contract applicable to fiscal year 1997 states:

"If the performance standards have been met to the satisfaction of the Department and, upon review of the audit, an amount equal to that provided by the state has been spent, any non-state fund balance or surplus will be retained as restricted reserve and available for reprogramming, as income available for community support services in the year following the year being audited."

It was determined that the excess revenue was attributable to non-state sources. Nothing came to our attention to indicate that program standards had not been met to the satisfaction of the department.

The excess revenue of \$48,792 for fiscal year 1997 was reprogrammed by the department in the subsequent fiscal year in accordance with the above provision.

Adult Outpatient (Matching) Program

It was determined that there was no over or under payment of state matching funds during the period reviewed. (See Exhibit D)

Matchable Revenues were examined for fiscal years ended June 30, 1997 and 1996 and are summarized as follows:

	<u>1997</u>	<u>1996</u>
Municipalities	\$ 592,229	\$ 594,124
Contributions – Net	<u>41,190</u>	<u>43,144</u>
Total Matchable Revenues	\$ <u>633,419</u>	\$ <u>637,268</u>

Funds received in the fiscal years ended June 30, 1997 and 1996 will be the basis for determining state funds allocated by the Department of MHRH for the subsequent fiscal years ended June 30, 1999 and 1998.

Other Programs

This account represents funding from sources other than MHRH-Division of Integrated Mental Health Services.

Revenue Deficiencies

It is our understanding that each contract stands on its own and that any expenses in excess of the contracted amounts be absorbed by the provider.

During the period under review the following Division of Mental Health contracts had revenue deficiencies:

1997 – Adult Outpatient (Matching)	\$ (17,692)
1996 – Community Support, Residential, and Acute Alternatives	\$ (103,638)

Affiliated Corporations

The Center formed several nonprofit corporations which provide services adjunctive to the center's programs. A listing of the affiliates is as follows:

Blackstone Valley Mental Health Realty Corporation, Inc.

This corporation was organized in 1988 for the purpose of developing, owning and managing housing for elderly and handicapped persons. It currently owns rental property located at 80 Cass Ave. Woonsocket, RI. Presently the corporation is functioning as a real estate advisory committee to the center's Board of Directors. The Board of Directors of this corporation are appointed by the center's Board of Directors. Members of the Board of Directors of this corporation compose the board membership of Sutherland Apartment, Inc., Sadwin Apartments, Inc., Roland M. Boucher Apartment, Inc., and Leo R. Tanguay Apartments, Inc.

Norimentas, Inc. d/b/a Sutherland Apartment, Inc.

Established in 1984, this corporation owns an 11 unit apartment building created to accommodate a supervised living program operated by the center at 462 East School Street, Woonsocket, R.I. This facility was acquired with proceeds of a federally insured mortgage under Section 202 of the National Housing Act. Rents charged to tenants are subsidized by (HUD).

Slater Apartments, Inc. d/b/a
Sadwin Apartments, Inc.

This corporation was established in 1984 to develop housing for elderly and handicapped residents of the Northern Rhode Island area. The corporation owns a 33-unit apartment building located at 181 Elm Street, Woonsocket, R.I. and rents to tenants whose rents are subsidized by HUD. This facility was acquired with proceeds of a federally insured mortgage under Section 202 of the National Housing Act.

Roland M. Boucher Apartments, Inc.

This corporation was established in April 1990 to purchase and develop five properties (31 units) to provide housing for chronically mentally ill residents of Northern Rhode Island. This facility was acquired with proceeds of a federally insured mortgage under Section 202, of the National Housing Act. Rents charged to tenants are subsidized by HUD.

Leo R. Tanguay Apartments, Inc.

This corporation was established in 1991 to develop real estate to provide housing for mentally ill residents of Northern Rhode Island. This organization was the successful bidder for a state surplus property in Woonsocket, R.I. Renovation of the facility into an eight-unit apartment building was funded, for the most part, with a grant from HUD. Rents charged to tenants are subsidized by HUD.